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May 8, 2005

Tax Plan

The President's Advisory Panel On Federal Tax Reform
Suite 2100
1440 New York Avenue, N.W.
Washington, D.C. 20220

To All Panel Members

I realize you have a job to do that is one that will not make everyone happy, but hope it will succeed.

I would like to give you a suggestion.

We should all agree that there is only so much money (annually) to go around.

I would like to propose that you endorse a graduated flat tax for federal taxpayers. This would be such that low annual income people (Ex: less than \$14,000 annually) pay no Federal tax. Then you graduate the % in perhaps \$5,000 increments up to a maximum % (such as 30% ?). BUT, the big difference from today's complicated plan is this: There are NO deductions. It is to be based on total income from all sources- EXCEPT no inheritance Tax. Income would be Earned Income, net rental income, interest, dividends, net capital gains, farm income, etc.

You put it in a "Table", like now, and no one needs to manually compute each change in % as their income increases during the year over the next increment.

IF you keep the % low enough, it will work out pretty close to what we pay now "after deductions and exemptions". The big feature is that it "is auditable". One needs to be able to show earned income, interest, dividends, etc. These are all already available items that one gets annually from employers, banks, brokers, etc.

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When you convert tax employees to primarily auditors, you can determine if one is spending more than he/she takes in, that he/she is obviously scamming Uncle.

In regard to businesses, you tax them based on "sales". They get no deductions for equipment, R. & D, etc. You can do a study of businesses to compare their actual current and several past years as to what they paid as a % of sales to what they actually paid after all the fancy manipulations they go through. IF you ask, you will find companies can save a ton of money by laying off or transferring huge accounting staffs of tax people, and a lower level accountant can multiple sales times a % and send it to Federal tax collector. Companies will know up front each year what to expect to pay in taxes (by loading it into sales price if they choose to). In good years and bad their burden will be the same. Property Insurance companies already get stuck with this routine by many states "as a percentage of written premiums" for fire taxes, etc.

We all should accept the fact that all should pay "something" toward running our government, except the very poor.

I know it is not part of your charter, but my goal is to try to convince state and local governments (and Uncle Sam) to tax based on ability to pay (your annual income) - not how much your real property is worth, but it is not liquid assets.

Once people understand that the percentage, in actual dollars, will be lower or equal(or not extremely higher) then what they pay now, it should be tolerable.

It just seems so much simpler, and straightforward, that even people with minimum education can cope with it. The biggest opponents will be tax preparer type outfits that will be slow, or out of business, if this goes through. Also charities will be opposed for fear they will get less donations. In this situation, I believe people donate more out of a belief that the charity is a worthy cause, rather than "because it is a partial tax break".

Wouldn't be wonderful to do away with volumes of tax rules?

The tax exemptions on rental property that carry 27 year gradual paydowns and others will have to be honored or provided for, but overall this CAN work!

There are other situations that may need to be provided for in the short run, but should not be overwhelming.

Ask the IRS to take my lifetime tax bill and compare it to gross, versus the net I paid on, and see what the % was of the gross.

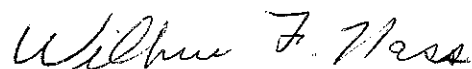
If that % allowed me to survive 51 years of federal taxation, it ought to work for future generations as well. I paid my full share and we survived fairly well. The IRS ought to be able to do a large sample and see what a fair % of gross is that equals the current net %.

I once heard a speaker say to use the KISS theory. "Keep It Simple, Stupid." If you can convince the Congress to keep the tax code SIMPLE, I believe ALL of us will be so much happier all around.

I would appreciate you giving this consideration.

If you believe some form of this has merit, please pursue it.

May you succeed in your efforts, no matter what the final proposal ends up as.

A handwritten signature in cursive script, reading "Wilbur F. Nass".

Wilbur F. Nass

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